

## Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 05503 01 OF 02 242149Z  
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 PA-01 /094 W  
-----040750 242223Z /45

R 242049Z JUL 78  
FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC 9943  
INFO AMEMBASSY BUENOS AIRES  
AMEMBASSY LA PAZ  
AMEMBASSY LIMA

LIMITED OFFICIAL USE SECTION 1 OF 2 SANTIAGO 5503

E.O. 11652: N/A  
TAGS: ECON, ELAB, PINT, CI  
SUBJ: GOC RELEASES SECOND QUARTER UNEMPLOYMENT FIGURES

REF: (A) SANTIAGO 4753, (B) SANTIAGO 4718

SUMMARY: AS REPORTED REF A CENTRAL BANK PROHIBITED RELEASE OF FIRST QUARTER UNEMPLOYMENT SURVEY. EMBASSY HAS OBTAINED COPY OF REPORT SHOWING 14.7 PERCENT UNEMPLOYMENT RATE. CENTRAL BANK PRESIDENT ALVARO BARDON ON JULY 5 ANNOUNCED SECOND QUARTER RATE OF 12.8 PERCENT WITHOUT MAKING REFERENCE TO HIGHER FIRST QUARTER RATE. BARDON BLAMES UNEMPLOYMENT ON NUMBER OF PERSONS SEEKING WORK FOR THE FIRST TIME. AT ISSUE IS WHETHER CONTINUED GROWTH IN NUMBER OF DISCRETIONARY, NON-TRADITIONAL INCOME EARNERS REPRESENTS INCREASED EXPECTATIONS OR EROSION OF REAL WAGE. IN VIEW OF PRESSURE TO RESOLVE UNEMPLOYMENT ISSUE, GOC IS MOVING ON LABOR PLANS (REF B), INCLUDING LOWERING OR OBOLISHING OF MINIMUM WAGE. END SUMMARY.

1. IN A PRESS CONFERENCE HELD JULY 5 GOC CENTRAL BANK PRESIDENT  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 05503 01 OF 02 242149Z

ALVARO BARDON ANNOUNCED SECOND QUARTER (APRIL -JUNE) UNEMPLOYMENT FIGURE OF 12.8 PERCENT, DOWN FROM 13.2 PERCENT IN THE FOURTH QUARTER OF 1977 (OCTOBER-DECEMBER). NO MENTION WAS MADE OF FIRST QUARTER 1978 UNEMPLOYMENT RATE.

2. ALTHOUGH LOCAL PRESS HAS COMMENTED ON THE RESULTS, THE UNIVERSITY OF CHILE UNEMPLOYMENT SURVEY STILL HAS NOT BEEN

PUBLISHED SINCE DOING SO WOULD AUTOMATICALLY RELEASE FIRST QUARTER 1978 FIGURE. EMBASSY, HOWEVER, HAS OBTAINED A COPY OF REPORT SHOWING A FIRST QUARTER RATE OF 14.7 PERCENT.

3. AN UNEMPLOYMENT SURVEY IS ALSO CARRIED OUT INDEPENDENTLY BY THE NATIONAL INSTITUTE OF STATISTICS (INE) AND WAS RELEASED JULY 7. INE FIGURE FOR JANUARY-MARCH 1978 IS 13.5 PERCENT. INE FIGURE BASED ON 167,680 UNEMPLOYED PERSONS OUT OF TOTAL WORKFORCE OF 1,245,720 (GREATER SANTIAGO). BY COMPARISON THE UNIVERSITY OF CHILE SURVEY CALCULATES WORKFORCE AT 1,426,900 WITH 182,100 UNEMPLOYED. (THE VARIANCE IN THE SURVEYS IS BASED ON DIFFERENT SAMPLING TECHNIQUES.)

4. IN THE PRESS CONFERENCE BARDON USED UNIVERSITY OF CHILE FIGURES TO EMPHASIZE GROWTH IN EMPLOYMENT FROM 1,029,500 IN 1975 TO 1,244,800 IN JUNE 1978. BARDON CITED FIGURES DATING BACK TO 1961 TO EMPHASIZE THAT RATE OF INCREASE OF TOTAL EMPLOYMENT IS ONE OF THE HIGHEST IN RECENT HISTORY. JANUARY-JUNE 1978 PERIOD EMPLOYMENT RATE INCREASED 4.57 PERCENT. HE ALLOWED, HOWEVER, THAT DESPITE THIS INCREASE UNEMPLOYMENT WAS STILL 12.8 PERCENT. HE EXPLAINED THE FAILURE OF UNEMPLOYMENT TO RESPOND TO THE GROWTH IN EMPLOYMENT TO BE AS RESULT OF THE UNUSUAL NUMBER OF PERSONS LOOKING FOR WORK FOR THE FIRST TIME. THIS GROUP INCREASED FROM 45,200 PERSONS IN DECEMBER 1977 (3.3 PERCENT OF THE WORKFORCE) TO 50,100 IN MARCH 1978 (3.5 PERCENT) AND 47,800 IN JUNE 1978 (3.3 PERCENT). BARDON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTIAGO 05503 01 OF 02 242149Z

NOTED THAT TOTAL UNEMPLOYMENT IS 22.2 PERCENT (I.E. THE 12.8 PERCENT WITHOUT WORK OR LOOKING FOR A FIRST JOB, PLUS THOSE DESIRING BUT HAVING GIVEN UP OR ARE NOT ACTUALLY LOOKING FOR WORK) WHICH IS SIMILAR TO THE 22.5 PERCENT FIGURE FOR 1969. BARDON CONCLUDED HIS STATISTICAL ANALYSIS BY ASCRIBING UNEMPLOYMENT TO STRUCTURAL PROBLEMS IN THE LABOR MARKET (INCLUDING NEW ENTRANTS) AND HIGH SOCIAL SECURITY AND MINIMUM WAGE COSTS.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 SANTIAGO 05503 02 OF 02 242155Z  
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 PA-01 /094 W

-----040800 242223Z /45

R 242049Z JUL 78  
FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC 9944  
INFO AMEMBASSY BUENOS AIRES  
AMEMBASSY LA PAZ  
AMEMBASSY LIMA

LIMITED OFFICIAL USE SECTION 2 OF 2 SANTIAGO 5503

5. AN ANALYSIS OF THE UNIVERSITY OF CHILE FIGURES UNDERSCORES BARDON'S BELIEF THAT THE INCREASED NUMBER OF PERSONS LOOKING FOR WORK FOR THE FIRST TIME IS SUSTAINING THE HIGH UNEMPLOYMENT RATE. GOC ECONOMISTS HAVE SOUGHT A DEMOGRAPHIC EXPLANATION FOR THIS PHENOMENON. HOWEVER, DISAGGREGATION OF POPULATION FIGURES SHOWS THAT THE PERCENTAGE OF PERSONS 14 YEARS AND OLDER HAS VARIED ONLY SLIGHTLY FROM 67.6 PERCENT OF THE POPULATION IN DECEMBER 1973 TO 170.7 PERCENT IN JUNE 1978. THUS WHILE THE ELIGIBLE WORKFORCE HAS INCREASED BY 3.1 PERCENT THE ACTUAL WORKFORCE HAS INCREASED BY 27.5 PERCENT, AN INDICATION THAT THE DEMOGRAPHIC FACTOR IS A MINOR CONSIDERATION IN EXPLAINING THE NUMBER OF NEW JOB SEEKERS.

6. AN ALTERNATIVE EXPLANATION IS FOUND IN THE VARIATION OF SALARIES AND WAGES SINCE JANUARY 1970. BEGINNING APRIL 1971 REAL WAGES BEGAN A PRECIPITOUS DECLINE THAT REACHED BOTTOM IN OCTOBER OF 1973. IT WAS NOT UNTIL JULY OF 1977, HOWEVER, THAT REAL WAGES RETURNED TO THEIR JANUARY 1970 LEVEL. FOR 44 MONTHS REAL WAGES REMAINED DEPRESSED. THE INCREASE IN THE UNEMPLOYMENT RATE CAN BE VIEWED AS A DIRECT RESPONSE TO THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 05503 02 OF 02 242155Z

LOSS OF PURCHASING POWER WHICH RESULTED IN ADDITIONAL FAMILY MEMBERS ENTERING THE WORKFORCE. REAL WAGES SINCE JULY 1977 HAVE IMPROVED FOR THOSE PERSONS EMPLOYED, HOWEVER, THE MASS OF UNEMPLOYED PERSONS REMAINS.

7. THE FACT THAT THESE DISCRETIONARY, NON-TRADITIONAL INCOME EARNERS HAVE NOT WITHDRAWN FROM THE LABOR MARKET AS REAL WAGES HAVE RECOVERED IS AN INDICATION THAT, FOR THE LOWEST INCOME SECTORS, EARNINGS ARE MORE DEPRESSED THAN INDICATED BY THE OFFICIAL CPI. WHILE THE GENERAL MARKET BASKET OF 393 ITEMS USED BY INE SHOWS AN INCREASE OF ONLY 14.7 PERCENT IN JANUARY-JUNE 1978, A 16 ITEM FOOD MARKET BASKET KEYED TO THE REGULAR MONTHLY PURCHASES OF MEDIUM TO LOW INCOME

FAMILIES SHOWS A RATE OF PRICE INCREASE OF 19.49 PERCENT. THUS, WHILE THE INDEX OF REAL WAGES DEFLATED BY THE OFFICIAL CPI SHOWS EARNINGS RETURNING TO JANUARY 1970 LEVELS, FOR A SIGNIFICANT PORTION OF THE POPULATION REAL WAGES REMAIN DEPRESSED, NECESSITATING MORE THAN ONE SOURCE OF FAMILY INCOME.

8. ANOTHER EXPLANATION FOR HIGH UNEMPLOYMENT RATE IS FOUND IN THE INCREASED AVERAGE NUMBER OF HOURS WORKED PER WEEK. OVER 33 PERCENT OF THE WORKING POPULATION WORKED MORE THAN 48 HOURS PER WEEK, THE LEGAL MAXIMUM. BOTH THE INFLUX OF PERSONS SEEKING WORK FOR THE FIRST TIME AND THE HIGH NUMBER OF HOURS BEING WORKED ARE AN INDICATION OF THE DECLINE AND ONLY GRADUAL RECOVERY OF REAL WAGES.

9. THIS ANALYSIS WOULD IMPLY A CONTINUING HIGH RATE OF UNEMPLOYMENT PARALLEL TO THE INCREASING RATE OF EMPLOYMENT. SUCH A CONCLUSION IS CAUSING THE GOC TO DEFEND THE ECONOMIC MODEL ITSELF, WHICH SOME ARE BEGINNING TO SUSPECT OF BEING A STRUCTURAL IMPEDIMENT TO IMPROVEMENT IN THE UNEMPLOYMENT RATE. IN THE VIEW OF GOC ECONOMISTS THE LARGER NUMBER OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTIA 05503 02 OF 02 242155Z

PERSONS ENTERING THE WORKFORCE AND THE HIGHER AMOUNT OF OVERTIME HOURS BEING WORKED ARE A FUNCTION OF RISING EXPECTATIONS AND RISING STANDARDS OF LIVING LINKED TO THE INCREASING AVAILABILITY OF CREDIT AND TIME PAYMENTS.

10. AS BARDON'S CONCLUDING REMARKS INDICATE (PARA 4), GOC ECONOMISTS ARE COUNTING ON THE IMPLEMENTATION OF THOSE LABOR MEASURES REPORTED IN REF B, INCLUDING LOWERING OR ABOLITION OF THE MINIMUM WAGE, AS THE SOLUTION TO THE UNEMPLOYMENT PROBLEM. THESE MEASURES ARE BEING STRONGLY RESISTED BY LABOR GROUPS WHO HAD FOUND A SYMPATHETIC AUDIENCE IN FORMER JUNTA MEMBER GENERAL LEIGH. GIVEN THE HIGH LEVEL OF FOREIGN EXCHANGE RESERVES AND RELATIVELY BALANCED BUDGET, THESE GROUPS ARE PRESSURING FOR AN INCREASE IN FISCAL EXPENDITURES RATHER THAN A DECREASE IN WAGE LEVELS AS THE SOLUTION TO UNEMPLOYMENT. IT IS PROBABLE THAT THEY WILL NOT BE SUCCESSFUL AND THAT THE GOC WILL CONTINUE TO IMPLEMENT, ALBEIT ON A PIECEMEAL BASIS, THOSE MEASURES BROADLY DESCRIBED IN THE NATIONAL INDICATIVE DEVELOPMENT PLAN FOR 1978-1983 AIMED AT CONVERTING CHILE INTO AN EXPORT-BASED ECONOMY AND THE FINANCIAL CENTER OF THE SOUTHERN CONE.  
LANDAU

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** UNEMPLOYMENT DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 jul 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978SANTIA05503  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780303-1055  
**Format:** TEL  
**From:** SANTIAGO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780727/aaaaawph.tel  
**Line Count:** 218  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 012ef96d-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 SANTIAGO 4753, 78 SANTIAGO 4718  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1906900  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOC RELEASES SECOND QUARTER UNEMPLOYMENT FIGURES  
**TAGS:** ECON, ELAB, PINT, CI  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/012ef96d-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014